

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Tax Increment Financing Authority of Lapeer	County Lapeer
Fiscal Year End 6/30/06	Opinion Date 8/25/06	Date Audit Report Submitted to State 12/8/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

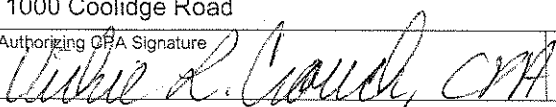
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Layton and Richardson, P.C.		Telephone Number 517-332-1900	
Street Address 1000 Coolidge Road		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Vickie Crouch	License Number 1101013436

TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST  
AND REVOLVING LOAN  
OF THE CITY OF LAPEER, MICHIGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
AND  
INDEPENDENT AUDITORS' REPORT



**Layton & Richardson, P.C.**  
*Certified Public Accountants*

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# Layton & Richardson, P.C.

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners  
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Lapeer, Michigan

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We have audited the accompanying basic financial statements of the governmental activities of the TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST, AND REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the Tax Increment Finance Authorities #1, #2, #3, #4, Trust, and Revolving Loan Fund of the City of Lapeer, Michigan, as of June 30, 2006, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2006, on our consideration of the Tax Increment Finance Authorities #1, #2, #3, #4, Trust, and Revolving Loan Fund of the City of Lapeer, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tax Increment Finance Authorities #1, #2, #3, #4, Trust, and Revolving Loan Fund of the City of Lapeer, Michigan's basic financial statements. The introductory section and the individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on it.

*Layton & Richardson, P.C.*  
*Certified Public Accountants*

August 25, 2006  
East Lansing, Michigan

## Management's Discussion and Analysis

Our discussion and analysis of the Tax Increment Finance Authority of the City of Lapeer's financial performance provides an overview of the Tax Increment Finance Authority's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Tax Increment Finance Authority's financial statements.

### FINANCIAL HIGHLIGHTS

- Provided funding for Demille Boulevard debt service in the amount of \$296,862.
- Provided funding for EFX Equipment at the Community Center in the amount of \$24,235.
- Provided an operational subsidy to the Community Center of \$215,605.
- Provided funding for McCormick Street General Obligation bond in the amount of \$31,755.
- Provided funding for the Water Tower Trailer Park Improvements in the amount of \$62,475.
- Provided funding for the Oakdale operations at a cost of \$33,079 and funding was also provided for the debt payment for the roof replacement in the amount of \$26,782.
- Provided funding for the Depot Historic Preservation project in the amount of \$61,580.
- Provided funding for the 01 Lift Station Upgrade project in the amount of \$23,000.
- Provided funding for the construction of a Spray Park at the Community Center in the amount of \$17,000.
- Creative Engineered Polymer Products, LLC informed the City in an August 4, 2006 letter that they would be permanently closing their manufacturing operations located at 290 McCormick Street between October 5-19, 2006. They indicated the reason for the closing was that their number one customer was not accepting an increase in the cost of materials. This company was the largest taxpayer within the TIFA 1 district. A jeopardy assessment was levied for the 2006 Personal Property Taxes in the total amount of \$172,102.94 which has been paid by Creative Engineered Polymer Products, LLC on September 15, 2006. As this facility has changed ownership several times in the past 10 years, the City is hopeful that this facility will be purchased by a new owner. This facility was previously owned by Carlisle Engineered Products and Johnson Controls, Inc.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Tax Increment Finance Authority as a whole and present a longer-term view of the Tax Increment Finance Authority's finances. Fund financial statements provide more detailed information about the Tax Increment Finance Authority's funds- not the Tax Increment Finance Authority as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending.

## Reporting the Tax Increment Finance Authority as a Whole

One of the most important questions asked about the Tax Increment Finance Authority's finances is, "Is the Tax Increment Finance Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Tax Increment Finance Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Tax Increment Finance Authority's *net assets* and changes in them. You can think of the Tax Increment Finance Authority's net assets – the difference between assets and liabilities – as one way to measure the Tax Increment Finance Authority's financial health, or *financial position*. Over time, *increases* or *decreases* in the Tax Increment Finance Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Tax Increment Finance Authority's captured property tax base to assess the *overall health* of the Tax Increment Finance Authority:

In the Statement of Net Assets and the Statement of Activities, the Tax Increment Finance Authority is shown as a governmental activity while within the City of Lapeer's audit they are shown as a component unit:

- Governmental activities – The Tax Increment Finance Authority's services are reported here. Property taxes finance most of these activities.

## Reporting the Tax Increment Finance Authority's Most Significant Funds

The fund financial statements provide detailed information about the Tax Increment Finance Authority's funds. The Tax Increment Finance Authority's funds utilize the *governmental* accounting approach.

- *Governmental funds* – Most of the Tax Increment Finance Authority's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Tax Increment Finance Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Tax Increment Finance Authority's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

## THE TAX INCREMENT FINANCE AUTHORITY AS A WHOLE

Table 1 was summarized from the Tax Increment Finance Authority Statement of Net Assets. The net assets of the Tax Increment Finance Authority increased from \$3,125,215 to \$3,715,804, an increase of \$590,589 or 18.9%. In the prior year, the Tax Increment Finance Authority net assets increased from \$2,933,237 to \$3,125,215, an increase of \$191,978 or 6.5%.

Table 1  
Net Assets  
(In Millions)

	Governmental Activities 2006	Governmental Activities 2005
Current and other assets	\$ 2.3	\$ 2.1
Capital assets	<u>4.5</u>	<u>4.6</u>
Total assets	<u>6.8</u>	<u>6.7</u>
Long-term debt		
Outstanding	2.8	3.3
Other liabilities	<u>0.3</u>	<u>0.3</u>
Total liabilities	<u>3.1</u>	<u>3.6</u>
Net assets:		
Invested in capital assets,		
Net of debt	1.7	1.3
Restricted	0.0	0.0
Unrestricted (deficit)	<u>2.0</u>	<u>1.8</u>
Total net assets	<u>\$ 3.7</u>	<u>\$ 3.1</u>

### Governmental Activities

As stated previously, the net assets of the Tax Increment Finance Authority's governmental activities increased by \$590,588.80 or 18.9%. Unrestricted net assets – the part of net assets that can be used to finance day –to –day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-is recorded as a surplus of \$2,036,958.73.



Table 2 was summarized from the government-wide Statement of Activities. This table summarizes the government-wide program revenues, other revenues, and expenses of the Tax Increment Finance Authority.

Table 2  
Changes in Net Assets  
(In Millions)

	Governmental Activities <u>2006</u>	Governmental <u>Activities</u> <u>2005</u>
Revenues:		
Program revenues:		
Charges for Services	\$ 0.0	\$ 0.0
Operating grants and contributions	0.0	0.0
General revenues:		
Property taxes	1.0	1.0
Other	<u>0.1</u>	<u>0.1</u>
Total Revenues	<u>1.1</u>	<u>1.1</u>
Expenses:		
General government	\$ 0.2	\$ 0.2
Interest on long-term Debt	<u>0.2</u>	<u>0.2</u>
Total Expenses	<u>0.4</u>	<u>0.4</u>
Increase in net assets		
Before transfers	0.7	0.7
Transfers	<u>(0.1)</u>	<u>(0.5)</u>
Increase in Net Assets	0.6	0.2
Net assets, July 1	<u>3.1</u>	<u>2.9</u>
Net assets, June 30	<u><u>3.7</u></u>	<u><u>3.1</u></u>

Total revenue from all sources totaled \$1,088,616 of which 89.2% or \$971,579 is from property taxes. Other revenues consist of unrestricted investment earnings of \$65,963 and miscellaneous revenue of \$51,074. The Tax Increment Finance Authority also receives a transfer of captured taxes from the General Fund of the City of Lapeer in the amount of \$799,752. The Tax Increment Finance Authority captured the City of Lapeer millage rate of 9.8000 and the county operation millage of 3.8165 for this fiscal year. Additionally, due to the eligible obligation of the Tax Increment Finance Authority Revenue Bond which was issued to build the Community Center, the Tax Increment Finance Authority district #1 is able to capture 100.00% of the School Operating millage of 18 mills, the State Education millage of 6 mills, and the Intermediate School District combined millage of 2.9509. The district will continue to capture a percentage of these millages until the obligation has been paid. The percentage of capture will vary each year with the change in captured value and change in annual debt service payments.

The governmental activities of the Tax Increment Finance Authority had an expense of \$421,102 for the past fiscal year. Due to utilizing full accrual on the government-wide statements, the expenditures for capital assets including infrastructure are not recorded as expenses in the current year but are capitalized on the Statement of Net Assets and are depreciated over the useful life of the asset. Only the current year depreciation would be included as an expense. Additionally, the Tax Increment Finance Authority had transfers to the General Fund in the amount of \$1,594,902 for payment on their commitments to various projects which are managed by Tax Increment Finance Authority staff.

The \$421,102 for governmental activities along with the transfers of \$1,594,902 to the general fund of the City of Lapeer is funded from \$971,579 in property taxes. Additionally, the balance of this cost is funded from transfers from the City of Lapeer General Fund for captured taxes in the amount of \$799,752 and other revenues.

### **THE TAX INCREMENT FINANCE AUTHORITY'S FUNDS**

The Tax Increment Finance Authority District #1 received a total of \$988,155 in captured property taxes. The Tax Increment Finance Authority District #1 expended funds on various projects this year which included a refund from TIFA #2 for the M-24/Demille Blvd Intersection Improvements in the amount of (\$1,009), debt service for the Community Center for \$718,225, construction of a spray park at the Community Center in the amount of \$17,000, purchase of EFX equipment at the Community Center in the amount of \$24,235, Community Center operational subsidy of \$215,605, and McCormick Street Resurfacing General Obligation Bond in the amount of \$27,309. Other expenses of the district include administration, legal, and audit fees of \$22,668, landscaping and lot maintenance of \$436. Additionally, the district pays an administration fee to the City of Lapeer in the amount of \$51,693 for accounting services and project management.

The Tax Increment Finance Authority District #2 received a total of \$114,227 in captured property taxes. The Tax Increment Finance Authority District #2 expended funds on various projects this year which included the M-24/Demille Blvd Intersection Improvements in the amount of \$1,009, McCormick Street Resurfacing General Obligation Bond in the amount of \$4,446, and Depot Historic Preservation project in the amount of \$61,580. Other expenses of the district include administration, legal, and audit fees of \$34. Additionally, the district pays an administration fee to the City of Lapeer in the amount of \$21,845 for accounting services and project management.

The Tax Increment Finance Authority District #3 received a total of \$668,950 in captured property taxes. The Tax Increment Finance Authority District #3 expended funds on various projects this year which included debt service on the Demille Boulevard General Obligation Bonds and Special Assessment in the amount of \$296,862, Oakdale operations cost of \$33,079 and the debt payment for the roof replacement at a cost of \$26,782, 01 Lift Station Upgrade in the amount of \$23,000, and Skate Park design in the amount of \$4,284. Additionally, the district pays an administration fee to the City of Lapeer in the amount of \$6,482 for accounting services and project management. The funding for the Oakdale Operations and the debt payment for roof replacement all relates to Building 45 which is rented by Mott Community College. The Tax Increment Finance Authority District #3 has an agreement with the City of Lapeer to reimburse the cost of the 1998 General Obligation Bond and 1998 Special Assessment Bond from available captured tax revenues until full payment has been made. These bonds were issued to construct Demille Boulevard. The balance due from the district as of June 30, 2006 is \$178,636.82 and is included in the due to other funds on the Statement of Net Assets.

The Tax Increment Finance Authority District #4 expired as of December 31, 2005 and no longer captures property taxes. The Tax Increment Finance Authority District #4 expended funds from available fund balances for various Park Projects at the Watertown Travel Trailer Park and Rowden Park in the amount of \$62,475. Other expenses of the district include administration, legal and audit fees of \$504.

### **Tax Increment Finance Authority Budgetary Highlights**

- The Tax Increment Finance Authority total budget did not change during the fiscal year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The Tax Increment Finance Authority's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$4,489,465 (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The Tax Increment Finance Authority's investment in capital assets remained virtually unchanged from the prior fiscal year.

Major capital asset events during the current fiscal year included the following:

There were no major capital asset events during the current fiscal year.

### **Debt**

At year-end, the Tax Increment Finance Authority's total bonded debt outstanding was at \$2.8 million versus \$3.4 million last year – a decrease of \$535,000 or 15.8%- as shown in Table 3.

Table 3  
Outstanding Debt at Year-End  
(In Millions)

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Revenue bonds and notes (backed by specific tax and fee revenues)	<u>\$ 2.8</u>	<u>\$ 3.4</u>
Totals	<u>\$ 2.8</u>	<u>\$ 3.4</u>

The Tax Increment Finance Authority has the 1998 Tax Increment Financing Revenue Refunding Bond with the outstanding balance of \$2,845,000. The balance at the beginning of the fiscal year was \$3,380,000 which results in debt reduction of \$535,000 or 15.8%. On the financial statements, this is shown net of the unamortized discount of \$34,380.

The Tax Increment Finance Authority's revenue bond rating continues to carry a BBB- rating. More detailed information about the Tax Increment Finance Authority's long-term liabilities is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Inflationary trends in the region compare favorably to national indices.
- Projected captured taxable value as determined by the City Assessor.

These factors were considered in preparing the Tax Increment Finance Authority of Lapeer's budget for Fiscal Year 2006-2007.

The Tax Increment Finance Authority reviews its current budget to determine available fund balances to be appropriated for the new-year budget. This, along with the projected captured taxable value from the city assessor, provides the basis of establishing the annual budget. Funds are appropriated based upon project recommendations made by the City of Lapeer staff to the Tax Increment Finance Authority Board. Funds not appropriated for specific projects are budgeted as "Planning for Future Projects". These funds can then be utilized to fund any project that may develop during the fiscal year or to provide additional funding to a project if actual costs were to exceed the budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the Tax Increment Finance Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lapeer, Director of Financial Services, 576 Liberty Park, Lapeer, MI 48446.

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

**STATEMENT OF NET ASSETS**

JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Cash	\$ 1,607,348.75
Receivables	
Notes	252,915.28
Due from other funds	63,398.41
Restricted assets	
Cash and investments	350,223.30
Fixed assets (net of accumulated depreciation)	<u>4,489,464.93</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,763,350.67</u></b>
 <b>LIABILITIES</b>	
Current liabilities	
Deposits payable	\$ 7,494.00
Due to other funds	216,393.43
Accrued interest	13,039.58
Bonds and notes payable	575,000.00
Noncurrent liabilities	
Bonds and notes payable	<u>2,235,620.00</u>
<b>TOTAL LIABILITIES</b>	<b><u>3,047,547.01</u></b>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,678,844.93
Unrestricted	<u>2,036,958.73</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,715,803.66</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,763,350.67</u></b>

See accompanying notes to financial statements.

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2006

		PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
	EXPENSES		
<b>FUNCTIONS/PROGRAMS</b>			
Primary Government			
Governmental activities			
General government	\$ 240,106.22	\$	\$
Interest on long-term debt	<u>180,995.91</u>	<u></u>	<u></u>
Total governmental activities	<u>\$ 421,102.13</u>	<u>\$</u>	<u>\$</u>
General Revenues			
Property taxes levied for general purposes			
Miscellaneous			
Unrestricted investment earnings			
Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
NET ASSETS, JULY 1			
NET ASSETS, JUNE 30			

See accompanying notes to financial statements.

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
\$	\$ (240,106.22)	\$	\$ (240,106.22)
	(180,995.91)		(180,995.91)
\$	(421,102.13)		(421,102.13)
	971,579.46		971,579.46
	51,073.49		51,073.49
	65,962.69		65,962.69
	(76,924.71)		(76,924.71)
	1,011,690.93		1,011,690.93
	590,588.80		590,588.80
	3,125,214.86		3,125,214.86
\$	\$ 3,715,803.66	\$	\$ 3,715,803.66

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

	T.I.F.A. TRUST	T.I.F.A. #1	T.I.F.A. #2
ASSETS			
Cash in checking	\$ 3,249.07	\$ 722,468.80	\$ 820.42
Cash in savings	265,074.74	4,946.50	138,612.66
Notes receivable	180,000.00		
Due from other funds		1,418.31	10,809.59
	<u>448,323.81</u>	<u>728,833.61</u>	<u>150,242.67</u>
RESTRICTED ASSETS		350,223.30	
TOTAL ASSETS	<u>\$ 448,323.81</u>	<u>\$ 1,079,056.91</u>	<u>\$ 150,242.67</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Security deposit payable	\$ 7,494.00	\$	\$
Due to other funds			
TOTAL LIABILITIES	<u>7,494.00</u>		
FUND BALANCE			
Unreserved	<u>440,829.81</u>	<u>1,079,056.91</u>	<u>150,242.67</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 448,323.81</u>	<u>\$ 1,079,056.91</u>	<u>\$ 150,242.67</u>

See accompanying notes to financial statements.



T.I.F.A. #3	T.I.F.A. #4	REVOLVING LOAN FUND	TOTAL GOVERNMENTAL FUNDS
\$ 1,428.27	\$ 28,583.55	\$ 722.75	\$ 757,272.86
338,190.17		103,251.82	850,075.89
		72,915.28	252,915.28
<u>51,157.80</u>	<u>12.71</u>		<u>63,398.41</u>
390,776.24	28,596.26	176,889.85	1,923,662.44
			<u>350,223.30</u>
<u>\$ 390,776.24</u>	<u>\$ 28,596.26</u>	<u>\$ 176,889.85</u>	<u>\$ 2,273,885.74</u>
\$ 188,030.56	\$ 28,362.87	\$	\$ 7,494.00
<u>188,030.56</u>	<u>28,362.87</u>		<u>216,393.43</u>
			<u>223,887.43</u>
<u>202,745.68</u>	<u>233.39</u>	<u>176,889.85</u>	<u>2,049,998.31</u>
<u>\$ 390,776.24</u>	<u>\$ 28,596.26</u>	<u>\$ 176,889.85</u>	<u>\$ 2,273,885.74</u>

TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balances - governmental funds			\$ 2,049,998.31
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$6,652,361.46 and the accumulated depreciation is \$2,162,896.53.			4,489,464.93
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long-term liabilities at year-end consist of:			
Bonds payable	\$ (2,810,620.00)		
Accrued interest	<u>(13,039.58)</u>		<u>(2,823,659.58)</u>
 TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES			 \$ <u>3,715,803.66</u>

See accompanying notes to financial statements.

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	T.I.F.A. TRUST	T.I.F.A. #1	T.I.F.A. #2
REVENUES			
Property taxes	\$	\$ 752,074.07	\$ 32,013.85
Interest earnings	1,257.79	50,643.16	3,527.81
Other income	1,472.00		
Rental income	52,976.71		
	<u>55,706.50</u>	<u>802,717.23</u>	<u>35,541.66</u>
TOTAL REVENUES			
	<u>55,706.50</u>	<u>802,717.23</u>	<u>35,541.66</u>
EXPENDITURES			
Administration/attorney/audit	796.93	22,667.87	34.26
Landscaping and lot maintenance		436.75	
Miscellaneous	207.38		
Repairs and maintenance	34,349.54		
Property taxes	9,305.69		
Debt service			
Principal retirement			
Interest and fiscal charges			
	<u>44,659.54</u>	<u>23,104.62</u>	<u>34.26</u>
TOTAL EXPENDITURES			
	<u>44,659.54</u>	<u>23,104.62</u>	<u>34.26</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11,046.96</u>	<u>779,612.61</u>	<u>35,507.40</u>
OPERATING TRANSFERS IN (OUT)			
Summer property taxes		236,080.80	82,212.97
Spray park		(17,000.00)	
Train depot			(61,579.90)
City administration fee		(51,693.00)	(21,845.00)
Community Center		(933,830.00)	
EFX equipment		(24,235.00)	
McCormick		(27,309.30)	(4,445.70)
Lift station			
Oakdale operations			
Water Tower/Rowden Park			
Skate park			
M-24/DeMille Intersection		1,009.12	(1,009.12)
	<u>                    </u>	<u>1,009.12</u>	<u>(1,009.12)</u>
TOTAL OPERATING TRANSFERS IN (OUT)			
	<u>                    </u>	<u>(816,977.38)</u>	<u>(6,666.75)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>11,046.96</u>	<u>(37,364.77)</u>	<u>28,840.65</u>
FUND BALANCE, JULY 1	<u>429,782.85</u>	<u>1,116,421.68</u>	<u>121,402.02</u>
FUND BALANCE, JUNE 30	<u>\$ 440,829.81</u>	<u>\$ 1,079,056.91</u>	<u>\$ 150,242.67</u>

See accompanying notes to financial statements.

T.I.F.A. #3	T.I.F.A. #4	REVOLVING LOAN FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
\$ 187,491.54 4,651.76	\$ 275.85	\$ 5,606.32	\$	\$ 971,579.46 65,962.69 1,472.00 52,976.71
<u>192,143.30</u>	<u>275.85</u>	<u>5,606.32</u>		<u>1,091,990.86</u>
	503.75			24,002.81 436.75 332.38 34,349.54 9,305.69
		125.00		
			535,000.00 183,225.00	535,000.00 183,225.00
	<u>503.75</u>	<u>125.00</u>	<u>718,225.00</u>	<u>786,652.17</u>
<u>192,143.30</u>	<u>(227.90)</u>	<u>5,481.32</u>	<u>(718,225.00)</u>	<u>305,338.69</u>
481,458.39				799,752.16 (17,000.00) (61,579.90) (80,020.00) (215,605.00) (24,235.00) (31,755.00) (23,000.00) (59,861.30) (62,475.15) (4,283.71) (296,861.81)
(6,482.00)			718,225.00	
(23,000.00) (59,861.30)	(62,475.15)			
(4,283.71) (296,861.81)				
<u>90,969.57</u>	<u>(62,475.15)</u>		<u>718,225.00</u>	<u>(76,924.71)</u>
283,112.87 (80,367.19)	(62,703.05) 62,936.44	5,481.32 171,408.53		228,413.98 1,821,584.33
\$ <u>202,745.68</u>	\$ <u>233.39</u>	\$ <u>176,889.85</u>	\$	\$ <u>2,049,998.31</u>

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

Net changes in fund balances - total governmental funds	\$ 228,413.98
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Less: current year depreciation	(165,949.05)
Loss on disposal of fixed assets	(3,375.22)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Accrued interest	2,229.09
Principal payments	535,000.00

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of current year bond discount	(5,730.00)
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Change in net assets of governmental activities	\$ <u>590,588.80</u>
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See accompanying notes to financial statements.

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2006

**NOTE 1: REPORTING ENTITY**

In accordance with the criteria established by the National Council on Governmental Accounting (NCGA) Statement 3, the Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund are considered component units of the City of Lapeer, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the City to significantly influence operations, the accountability for fiscal matters including the level of City financing and/or moral and legal responsibility for long-term debt.

The financial statements of the Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund are presented as the financial statements of funds which are an integral part of the financial reporting oversight unit of the City of Lapeer, Michigan.

The Tax Increment Finance Authorities (T.I.F.A.) and Revolving Loan Fund were established by the Lapeer City Commission in accordance with Act 450 of P.A. 1980, as follows:

AUTHORITY	DATE ESTABLISHED
T.I.F.A. #1	April 19, 1982
T.I.F.A. #2	April 18, 1983
T.I.F.A. #3	May 21, 1984
T.I.F.A. #4	April 8, 1985
T.I.F.A. Trust	March 30, 1987
Revolving Loan	February 4, 1993

The Lapeer City Commission designated the members of the Lapeer City Tax Increment Finance Authorities #1, #2, #3, #4, Trust, and Revolving Loan Fund Board of Directors to constitute the Board of the Tax Increment Finance Authority (T.I.F.A.), and Revolving Loan.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund conform to U.S. generally accepted accounting principles as applicable to governmental units. The summary of the more significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report.

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statement (i.e. the statements of net assets and the statement of changes in net assets) reports information on all of the nonfiduciary activities of the Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund of the City of Lapeer. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2006

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

A. Government-Wide and Fund Financial Statements - Concluded

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Measurement Focus, Basis of Accounting and Financial Statements

The government-wide financial statement is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Governmental fund financial statement is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first. Unrestricted resources are used as they are needed.

C. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Receivables

Receivables have been recognized for all significant amounts due the Authority. No allowances have been made for uncollectible amounts.

E. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Lapeer as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2006

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded**

E. Capital Assets - Concluded

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets. The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvements	10-20 years
Buildings	10-40 years
Equipment	5-20 years
Vehicles	3-10 years

F. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.



**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2006

**NOTE 3: CASH AND INVESTMENTS**

State statutes authorize the City Treasurer to invest in obligations of the U.S. Treasury, agencies and instrumentalities; certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC); commercial paper rated in the three highest rate classifications of two rating services; United States government or federal agency obligation repurchase agreements; and mutual funds composed of investments which are legal for direct investment by local units of government in Michigan.

Authority's Cash and Investment Pool

*Custodial Credit Risk – Deposits.* For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to the government. As of June 30, 2006, \$1,331,194.52 of the Authority's total bank balance of \$1,962,141.28 (total book balance was \$1,957,572.05) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The Authority's investment policy requires that only those banks or savings and loan institutions that are members of the FDIC or FSLIC will be considered for depository purposes, but recognizes that it is impractical to insure all bank deposits due to the limitations of depository insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Credit Risk.* The Authority's investments in financial institutions will be held with a qualified institution.

The Authority has adopted a formal investment policy as required by Act 20, P. A. 1943 as amended, that complies with State law.

**NOTE 4: INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2006, are as follows:

FUND	DUE FROM	FUND	DUE TO
T.I.F.A. #1	\$ 1,418.31	General	\$ 2,340.36
T.I.F.A. #2	192.09		
T.I.F.A. #3	717.25		
T.I.F.A. #4	<u>12.71</u>		
Subtotal	<u>2,340.36</u>	Subtotal	<u>2,340.36</u>
T.I.F.A. #3	<u>50,440.55</u>	Oakdale	<u>50,440.55</u>
Park	<u>28,362.87</u>	T.I.F.A. #4	<u>28,362.87</u>

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2006

**NOTE 4: INTERFUND RECEIVABLES AND PAYABLES - Concluded**

FUND	DUE FROM	FUND	DUE TO
Major street	\$ <u>178,636.82</u>	T.I.F.A. #3	\$ <u>178,636.82</u>
T.I.F.A. #2	<u>10,617.50</u>	Park	<u>10,617.50</u>
Oakdale	<u>4,831.03</u>	T.I.F.A. #3	<u>4,831.03</u>
Park	4,283.71	T.I.F.A. #3	4,562.71
Wastewater	<u>279.00</u>		
Subtotal	<u>4,562.71</u>	Subtotal	<u>4,562.71</u>
TOTAL	\$ <u>279,791.84</u>	TOTAL	\$ <u>279,791.84</u>

**NOTE 5: OPERATING TRANSFERS**

The following are the operating transfers for the year ended June 30, 2006:

FUND	TRANSFER IN	FUND	TRANSFER OUT
Major street	\$ <u>328,616.81</u>	T.I.F.A. #1	\$ 26,300.18
		T.I.F.A. #2	5,454.82
		T.I.F.A. #3	<u>296,861.81</u>
Subtotal	<u>328,616.81</u>	Subtotal	<u>328,616.81</u>
Park fund	385,178.76	T.I.F.A. #1	256,840.00
		T.I.F.A. #2	61,579.90
		T.I.F.A. #3	4,283.71
		T.I.F.A. #4	<u>62,475.15</u>
Subtotal	<u>385,178.76</u>	Subtotal	<u>385,178.76</u>
Oakdale	<u>59,861.30</u>	T.I.F.A. #3	<u>59,861.30</u>
Wastewater	<u>23,000.00</u>	T.I.F.A. #3	<u>23,000.00</u>

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2006

**NOTE 5: OPERATING TRANSFERS – Concluded**

FUND	TRANSFER IN	FUND	TRANSFER OUT
T.I.F.A. #1	\$ 236,080.80	General	\$ 799,752.16
T.I.F.A. #2	82,212.97		
T.I.F.A. #3	481,458.39		
T.I.F.A. #4			
Subtotal	<u>799,752.16</u>	Subtotal	<u>799,752.16</u>
General	80,020.00	T.I.F.A. #1	51,693.00
		T.I.F.A. #2	21,845.00
		T.I.F.A. #3	6,482.00
		T.I.F.A. #4	
Subtotal	<u>80,020.00</u>	Subtotal	<u>80,020.00</u>
TOTAL	\$ <u>1,676,429.03</u>	TOTAL	\$ <u>1,676,429.03</u>

**NOTE 6: CAPITAL ASSETS**

A summary of changes in the Authority's capital assets is as follows:

	BALANCE JULY 1	ADDITIONS	DELETIONS	BALANCE JUNE 30
Capital assets not being depreciated				
Land	\$ <u>14,400.00</u>	\$ _____	\$ _____	\$ <u>14,400.00</u>
Capital assets being depreciated				
Buildings	6,642,350.46		4,389.00	6,637,961.46
Improvements	<u>700.00</u>	_____	<u>700.00</u>	_____
Total capital assets being depreciated	<u>6,643,050.46</u>	_____	<u>5,089.00</u>	<u>6,637,961.46</u>
Less: Accumulated depreciation				
Buildings	1,998,241.07	165,949.05	1,293.59	2,162,896.53
Improvements	<u>420.19</u>	_____	<u>420.19</u>	_____
Total accumulated depreciation	<u>1,998,661.26</u>	<u>165,949.05</u>	<u>1,713.78</u>	<u>2,162,896.53</u>
Total capital assets being depreciated, net	<u>4,644,389.20</u>	<u>( 165,949.05)</u>	<u>3,375.22</u>	<u>4,475,064.93</u>
Total Capital assets	\$ <u>4,658,789.20</u>	\$ <u>( 165,949.05)</u>	\$ <u>3,375.22</u>	\$ <u>4,489,464.93</u>

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Concluded

JUNE 30, 2006

**NOTE 7: LONG-TERM OBLIGATIONS**

Long-term obligations of the Authority are as follows:

	BEGINNING	REDUCTIONS	BALANCE
\$5,730,000 1998 Tax Increment Revenue Refunding Bond due in annual installments of \$275,000 to \$575,000 through June 1, 2012, interest at 4.50% to 5.50%	<u>\$ 3,380,000.00</u>	<u>\$ 535,000.00</u>	<u>\$ 2,845,000.00</u>

The annual requirement to pay principal and interest on obligations outstanding at June 30, 2006 are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATION
2007	\$ 731,475.00
2008	589,850.00
2009	539,275.00
2010	535,075.00
2011	524,775.00
2012	<u>453,650.00</u>
<b>TOTAL</b>	<u><b>\$ 3,374,100.00</b></u>

## REQUIRED SUPPLEMENTARY INFORMATION

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**GENERAL OPERATIONS - TIFA #1**

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Property taxes	\$ 599,280.46	\$ 599,280.46	\$ 752,074.07	\$ 152,793.61
Interest earnings	7,500.00	7,500.00	50,643.16	43,143.16
TOTAL REVENUES	606,780.46	606,780.46	802,717.23	195,936.77
EXPENDITURES				
Administration/attorney/audit	16,500.00	24,000.00	22,667.87	1,332.13
Park maintenance/landscaping	900.00	900.00	436.75	463.25
Planning for future projects	318,967.54	307,967.54		307,967.54
TOTAL EXPENDITURES	336,367.54	332,867.54	23,104.62	309,762.92
EXCESS OF REVENUES OVER EXPENDITURES	270,412.92	273,912.92	779,612.61	505,699.69
OTHER FINANCING SOURCES (USES)				
Summer property taxes	392,731.69	392,731.69	236,080.80	(156,650.89)
Community Center	(933,830.00)	(933,830.00)	(933,830.00)	
EFX Equipment	(25,000.00)	(25,000.00)	(24,235.00)	765.00
Spray park	(36,000.00)	(39,500.00)	(17,000.00)	22,500.00
City administration fee	(51,693.00)	(51,693.00)	(51,693.00)	
McCormick	(27,310.00)	(27,310.00)	(27,309.30)	0.70
Enterprise Center parking lot	(116,600.00)	(116,600.00)		116,600.00
M-24/Demille intersection improvement			1,009.12	1,009.12
TOTAL OTHER FINANCING SOURCES (USES)	(797,701.31)	(801,201.31)	(816,977.38)	(15,776.07)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(527,288.39)	(527,288.39)	(37,364.77)	489,923.62
FUND BALANCE, JULY 1	1,116,421.68	1,116,421.68	1,116,421.68	
FUND BALANCE, JUNE 30	\$ 589,133.29	\$ 589,133.29	\$ 1,079,056.91	\$ 489,923.62

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL OPERATIONS - TIFA #2

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Property taxes	\$ 32,331.18	\$ 32,331.18	\$ 32,013.85	\$ (317.33)
Interest earnings	<u>400.00</u>	<u>400.00</u>	<u>3,527.81</u>	<u>3,127.81</u>
TOTAL REVENUES	<u>32,731.18</u>	<u>32,731.18</u>	<u>35,541.66</u>	<u>2,810.48</u>
EXPENDITURES				
Administration/attorney/audit	<u>1,000.00</u>	<u>1,000.00</u>	<u>34.26</u>	<u>965.74</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>31,731.18</u>	<u>31,731.18</u>	<u>35,507.40</u>	<u>3,776.22</u>
OTHER FINANCING SOURCES (USES)				
Summer property taxes	66,945.10	82,214.28	82,212.97	(1.31)
City administration fee	(21,845.00)	(21,845.00)	(21,845.00)	
McCormick	(4,446.00)	(4,446.00)	(4,445.70)	0.30
M-24/Demille intersection improvement			(1,009.12)	(1,009.12)
Depot historic preservation		(65,000.00)	(61,579.90)	3,420.10
Planning for future projects	<u>(141,353.71)</u>	<u>(76,353.71)</u>		<u>76,353.71</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,699.61)</u>	<u>(85,430.43)</u>	<u>(6,666.75)</u>	<u>78,763.68</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(68,968.43)	(53,699.25)	28,840.65	82,539.90
FUND BALANCE, JULY 1	<u>121,402.02</u>	<u>121,402.02</u>	<u>121,402.02</u>	
FUND BALANCE, JUNE 30	<u>\$ 52,433.59</u>	<u>\$ 67,702.77</u>	<u>\$ 150,242.67</u>	<u>\$ 82,539.90</u>

**TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**GENERAL OPERATIONS - TIFA #3**

FOR THE YEAR ENDED JUNE 30, 2006

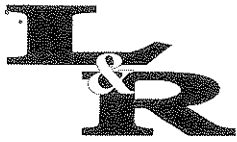
	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Property taxes	\$ 189,298.58	\$ 189,298.58	\$ 187,491.54	\$ (1,807.04)
Interest earnings	500.00	500.00	4,651.76	4,151.76
TOTAL REVENUES	<u>189,798.58</u>	<u>189,798.58</u>	<u>192,143.30</u>	<u>2,344.72</u>
EXPENDITURES				
Administration/attorney/audit	<u>5,000.00</u>	<u>5,000.00</u>		<u>5,000.00</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>184,798.58</u>	<u>184,798.58</u>	<u>192,143.30</u>	<u>7,344.72</u>
OTHER FINANCING SOURCES (USES)				
Summer property taxes	481,363.31	481,363.31	481,458.39	95.08
M-24/DeMille intersection	(348,862.00)	(348,862.00)	(296,861.81)	52,000.19
City administration fee	(6,482.00)	(6,482.00)	(6,482.00)	
Oakdale operations	(42,483.00)	(42,483.00)	(59,861.30)	(17,378.30)
Oakdale roof replacement	(26,782.00)	(26,782.00)		26,782.00
Oakdale feasibility study	(25,000.00)			
Golf course feasibility study	(25,000.00)			
Planning for future projects	(17,744.40)	(67,744.40)		67,744.40
Village West drive extension	(10,000.00)	(10,000.00)		10,000.00
DeMille/Millville wetland	(6,500.00)	(6,500.00)		6,500.00
Skate park design	(5,000.00)	(5,000.00)	(4,283.71)	716.29
DeMille planned residential	(10,000.00)	(10,000.00)		10,000.00
Lift station	<u>(200,000.00)</u>	<u>(200,000.00)</u>	<u>(23,000.00)</u>	<u>177,000.00</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(242,490.09)</u>	<u>(242,490.09)</u>	<u>90,969.57</u>	<u>333,459.66</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(57,691.51)	(57,691.51)	283,112.87	340,804.38
FUND BALANCE, JULY 1	<u>(80,367.19)</u>	<u>(80,367.19)</u>	<u>(80,367.19)</u>	
FUND BALANCE, JUNE 30	\$ <u><u>(138,058.70)</u></u>	\$ <u><u>(138,058.70)</u></u>	\$ <u><u>202,745.68</u></u>	\$ <u><u>340,804.38</u></u>



TAX INCREMENT FINANCE AUTHORITIES #1, #2, #3, #4, TRUST AND  
REVOLVING LOAN FUND OF THE CITY OF LAPEER, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL OPERATIONS - TIFA #4  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Interest earnings	\$ <u>          </u>	\$ <u>          </u>	\$ <u>275.85</u>	\$ <u>275.85</u>
EXPENDITURES				
Administration/attorney/audit	<u>          </u>	<u>          </u>	<u>503.75</u>	<u>(503.75)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>          </u>	<u>          </u>	<u>(227.90)</u>	<u>(227.90)</u>
OTHER FINANCING SOURCES (USES)				
Water tower/Rowden park	<u>(62,975.15)</u>	<u>(62,975.15)</u>	<u>(62,475.15)</u>	<u>500.00</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(62,975.15)	(62,975.15)	(62,703.05)	272.10
FUND BALANCE, JULY 1	<u>62,936.44</u>	<u>62,936.44</u>	<u>62,936.44</u>	
FUND BALANCE, JUNE 30	\$ <u><u>(38.71)</u></u>	\$ <u><u>(38.71)</u></u>	\$ <u><u>233.39</u></u>	\$ <u><u>272.10</u></u>

## SUPPLEMENTARY INFORMATION



# Layton & Richardson, P.C.

*Certified Public Accountants*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Tax Increment Finance  
Authorities #1, #2, #3, #4, Trust and  
Revolving Loan Fund of the City of Lapeer  
Lapeer, Michigan

We have audited the accompanying financial statements of the governmental activities of Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund of the City of Lapeer, Michigan, as of and for the year ended June 30, 2006, which collectively comprise Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund of the City of Lapeer, Michigan's basic financial statements and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund of the City of Lapeer, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund of the City of Lapeer, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund of the City of Lapeer, Michigan, in a separate letter dated August 25, 2006.

This report is intended solely for the information and use of management, the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Certified Public Accountants*

East Lansing, Michigan  
August 25, 2006

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# Layton & Richardson, P.C.

*Certified Public Accountants*

## LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Mayor and City Commission  
City of Lapeer  
Lapeer, Michigan

We have audited the financial statements of the Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund of the City of Lapeer, Michigan for the year ended June 30, 2006 and have issued our report on those statements. As part of our audit, we made a study and evaluation of the Authorities' system of internal accounting controls to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole.

The management of the Authorities is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all weaknesses in the system. However, our examination disclosed the following condition that we believe results in a risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Authorities may occur and not be detected within a timely period.

### Segregation of Duties

Segregation of duties is an arrangement of responsibilities such that the work of one employee serves as a check on the work of others. The least desirable situation is one in which a single employee is responsible for an entire accounting process from the origin of each transaction to the ultimate posting in the general ledger. This situation enhances the likelihood that intentional or unintentional errors will occur and remain undetected.

Because it is often difficult in a small governmental unit to segregate accounting duties, alternative controls should be implemented to compensate for lack of a segregation of duties. Such controls as management supervision are an effective means of improving control and reducing the risk of error without incurring additional cost.

We appreciate the cooperation and assistance provided to us by the management and staff of the Tax Increment Finance Authorities #1, #2, #3, #4, Trust and Revolving Loan Fund of the City of Lapeer during the audit and we thank them.

Very truly yours,

*Layton & Richardson, P.C.*  
*Certified Public Accountants*

East Lansing, Michigan  
August 25, 2006

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## CONTINUING DISCLOSURE COMPLIANCE

## TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

## SEV AND CAPTURED AD VALOREM TAXABLE VALUE OF THE TIFA DISTRICT #1'S AD VALOREM TAX ROLL

FISCAL YEARS ENDING AS OF JUNE 30

ASSESSED VALUE AS OF DECEMBER 31	YEAR OF STATE EQUILIZATION AND TAX LEVY	CITY'S FISCAL YEAR ENDING JUNE 30	AD VALOREM TAXABLE VALUE		CAPTURED AD VALOREM TAXABLE VALUE	
			AMOUNT	PERCENT CHANGE	AMOUNT	PERCENT CHANGE
2004	2005	2006	\$ 25,506,070.00	2.67%	\$ 21,809,370.00	3.14%
2003	2004	2005	24,842,501.00	5.99%	21,145,801.00	7.11%
2002	2003	2004	23,439,040.00	-1.44%	19,742,340.00	-1.71%
2001	2002	2003	23,781,736.00	9.61%	20,085,036.00	11.59%
2000	2001	2002	21,696,450.00	3.94%	17,999,750.00	4.79%
1999	2000	2001	20,874,336.00	19.21%	17,177,636.00	24.36%
1998	1999	2000	17,509,826.00	6.28%	13,813,126.00	8.10%
1997	1998	1999	16,475,379.00	14.22%	12,778,679.00	19.11%
1996	1997	1998	14,424,776.00	15.16%	10,728,076.00	21.50%
1995	1996	1997	12,526,190.00	4.67%	8,829,490.00	6.75%

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER**  
**CAPTURED TAXABLE VALUE OF THE TIFA DISTRICT #1'S AD VALOREM TAX ROLL**  
**BY USE AND CLASS**  
**FISCAL YEARS ENDING AS OF JUNE 30**

Use	2006	2005	2004	2003	2002
Homestead (1)					
Residential	\$ 212,341.00	\$ 202,305.00	\$ 200,820.00	\$ 206,156.00	\$ 196,812.00
Non-Homestead					
Residential	244,942.00	246,520.00	160,618.00	20,146.00	18,898.00
Commercial	2,557,359.00	2,741,567.00	2,587,673.00	3,103,002.00	2,179,910.00
Industrial	18,794,728.00	17,955,409.00	16,793,229.00	16,755,732.00	15,604,130.00
Class					
Real Property	9,943,470.00	9,742,801.00	9,220,540.00	8,647,736.00	7,781,550.00
Personal Property	11,865,900.00	11,403,000.00	10,521,800.00	11,437,300.00	10,218,200.00

- (1) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-homestead is property not included in the above definition.

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER**  
**CAPTURE TAXABLE VALUE OF THE TIFA DISTRICT #1'S AD VALOREM TAX ROLL**  
**BY USE AND CLASS AS A PERCENT OF TOTAL**  
**FISCAL YEARS ENDING AS OF JUNE 30**

Use	2006	2005	2004	2003	2002
Homestead (1)					
Residential	0.97%	0.96%	1.02%	1.03%	1.09%
Non-Homestead					
Residential	1.12%	1.17%	0.81%	0.10%	0.10%
Commercial	11.73%	12.97%	13.11%	15.45%	12.12%
Industrial	86.18%	84.91%	85.06%	83.42%	86.69%
Class					
Real Property	45.59%	46.07%	46.70%	43.06%	43.23%
Personal Property	54.41%	53.93%	53.30%	56.94%	56.77%

- (1) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-homestead is property not included in the above definition.



## TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

## TIFA DISTRICT #1

## EXPIRATION OF NEW INDUSTRIAL FACILITY TAX ABATEMENTS

FOR THE PERIOD ENDING JUNE 30, 2006

Expiration December 31	CAPTURED TAXABLE VALUE OF INDUSTRIAL FACILITY TAX ABATEMENTS (NEW PROPERTIES)
2006	\$ 62,800.00
2007	344,500.00
2008	162,700.00
2009	1,365,300.00
2010	1,629,900.00
2011	
2012	
2013	666,000.00
2014	
2015	
2016	330,000.00
2017	
2018	
2019	
Total	\$ <u>4,561,200.00</u>

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER**  
**CAPTURED TAXABLE VALUE OF THE TIFA DISTRICT #1'S IFT TAX ROLL BY CLASS**  
**FISCAL YEARS ENDING JUNE 30**

Class	2006	2005	2004	2003	2002
Real Property	\$ 2,474,000.00	\$ 2,474,000.00	\$ 2,542,500.00	2,985,000.00	\$ 3,916,500.00
Personal Property	<u>2,087,200.00</u>	<u>4,072,800.00</u>	<u>5,340,900.00</u>	<u>6,738,600.00</u>	<u>7,793,800.00</u>
Total	<u>\$ 4,561,200.00</u>	<u>\$ 6,546,800.00</u>	<u>\$ 7,883,400.00</u>	<u>9,723,600.00</u>	<u>\$ 11,710,300.00</u>

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER**

CAPTURED TAXABLE VALUE OF THE TIFA DISTRICT #1'S IFT TAX ROLL BY CLASS AS A PERCENT TOTAL

FISCAL YEARS ENDING JUNE 30

Class	2006	2005	2004	2003	2002
Real Property	54.24%	37.79%	32.25%	30.70%	33.44%
Personal Property	<u>45.76%</u>	<u>62.21%</u>	<u>67.75%</u>	<u>69.30%</u>	<u>66.56%</u>
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER  
PROPERTY TAX COLLECTIONS  
FISCAL YEAR ENDING JUNE 30

FISCAL YEAR ENDING JUNE 30,	NET CAPTURED TAX LEVY	COLLECTIONS TO MARCH 1 FOLLOWING LEVY	PERCENT COLLECTED	COLLECTIONS TO JUNE 30 FOLLOWING LEVY	PERCENT COLLECTED
2006	\$ 988,155.00	\$ 949,868.00	96.13%	\$ 987,660.00	99.95%
2005	984,616.00	939,569.00	95.42%	984,153.00	99.95%
2004	935,030.00	875,732.00	93.66%	934,740.00	99.97%
2003	960,383.00	927,057.00	96.53%	958,487.00	99.80%
2002	907,071.00	891,578.00	98.29%	907,071.00	100.00%
2001	887,821.00	870,554.00	98.06%	873,327.00	98.37%
2000	798,919.00	782,294.00	97.92%	798,911.00	100.00%
1999	752,953.00	737,301.00	97.92%	752,953.00	100.00%
1998	800,562.00	779,987.00	97.43%	800,562.00	100.00%
1997	752,534.00	727,434.00	96.66%	752,534.00	100.00%

## TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

## CAPTURED PROPERTY TAX RATES IN THE TIFA DISTRICT #1

FISCAL YEARS ENDING JUNE 30

JULY 1 LEVY	FISCAL YEARS ENDING JUNE 30	CITY MILLAGE	LAPEER PUBLIC SCHOOLS MILLAGE	LAPEER INTERMEDIATE SCHOOLS MILLAGE	LAPEER COUNTY MILLAGE	STATE MILLAGE
2005	2006	9.8000	18.0000	2.9509	3.8165	6.0000
2004	2005	8.7911	18.0000	2.9794	3.8539	6.0000
2003	2004	8.7911	18.0000	3.0084	3.8941	5.0000
2002	2003	8.7911	18.0000	3.0467	3.9454	6.0000
2001	2002	8.7911	17.6280	3.0773	3.9901	6.0000
2000	2001	8.7911	17.8079	3.1189	4.0460	6.0000
1999	2000	8.7911	17.8884	3.1605	4.0977	6.0000
1998	1999	8.7911	18.0000	3.1978	4.0405	6.0000
1997	1998	8.7911	18.0000	3.2223	4.0710	6.0000
1996	1997	8.7911	18.0000	3.2268	4.1920	6.0000

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER**  
**SEV OF THE LARGEST TAXPAYERS ON TIFA DISTRICT #1'S AD VALOREM TAX ROLL**  
**FISCAL YEAR ENDING JUNE 30, 2006**

TAXPAYER	PRODUCT OR SERVICE	TAXABLE VALUE	PERCENT OF TAXABLE VALUE
Creative Eng. Polymer Prod.	Plastic Auto Parts	\$ 4,575,000.00	19.24%
Dott Industries	Chromeplating/Molding	2,244,120.00	9.44%
Albar Industries	Plastic Decorating & Auto	2,199,700.00	9.25%
Lapeer Metal Products	Metal Stampings	2,182,100.00	9.18%
Hunters Creek MCH, LLC	Mobile Home Park	1,935,392.00	8.14%
Metokote Corporation	Plastic Auto Parts	1,852,200.00	7.79%
American Shower and Bath	Bath Fixtures	1,755,600.00	7.38%
Lapeer Industries	Metal Machining & Fabricating	1,136,100.00	4.78%
ITW Foamseal	Foam Products	455,235.00	1.91%
Ovens, LLC	Motel	435,632.00	1.83%

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER**  
**SEV OF THE LARGEST TAXPAYERS ON TIFA DISTRICT #1'S IFT TAX ROLL**  
**FISCAL YEAR ENDING JUNE 30, 2006**

TAXPAYER	PRODUCT OR SERVICE	TAXABLE VALUE	PERCENT OF TAXABLE VALUE
American Shower and Bath	Bath Fixtures	\$ 1,629,900.00	13.92%
Dott Industries, Inc.	Chromeplating/Molding	1,371,700.00	11.71%
Testing Services Group, LLC	Manufacture & Testing Fuel Sys.	620,000.00	5.29%
Lapeer Industries, Inc.	Metal Machining & Fabricating	586,400.00	5.01%
Allsons, Inc.	Custom die punches	87,500.00	0.75%
Albar Industries	Plastic Decorating & Auto	86,000.00	0.73%
Quest Industries	Rubber and injection mold making and precision machining for auto, defense and plumbing	71,200.00	0.61%
S.J. Chain & Wire Rope, Inc.	Chain, wire rope & fittings, hoists, chain, special lifting fixture fabrication	70,000.00	0.60%
Gallop Brush	Manufacture of soft cloth and foam tech for auto wash industry	24,500.00	0.21%
Lesley Elizabeth	Gourmet Food Production/Processing	14,000.00	0.12%

## TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER

## FIFTEEN LARGEST EMPLOYERS IN TIFA DISTRICT #1

FISCAL YEAR ENDING JUNE 30, 2006

COMPANY	PRODUCT OR SERVICE	APPROXIMATE NUMBER OF EMPLOYEES
Dott Industries/Deco Plate	Automotive Industry	775
Lapeer Metal Products	Metal Stamping and assemblies	288
Creative Eng. Polymer Prod.	Automotive Design	210
Metokote Corp.	Electrostatic painting of small metal car parts	170
Albar Industries, Inc.	Automotive Decorating	167
American Shower and Bath	Vacuum Forming Bath Products	150
Lapeer Industries, Inc.	Machining and Fabrication of Metal	83
Webco Press	Printing	36
Testing Services Group	Testing & Engineering of Fuel Systems	32
P & P Manufacturing	Pneumatic Parts & Air Tools	29
ITW TACC, Inc.	Foam Products	21
Motion Machine, Inc.	Manufacturing of Industrial Machining and Automated Equipment	15
Leslie-Elizabeth	Gourmet Food Production/Processing	11
Blue Water Printing	Printing	8



**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LAPEER**  
**ELIGIBLE OBLIGATIONS, ELIGIBLE ADVANCES AND OTHER OBLIGATIONS**  
**SUPPORTED BY TAX INCREMENT REVENUES OF TIFA DISTRICT #1**  
**FISCAL YEAR ENDING JUNE 30, 2006**

Description	(1) ELIGIBLE OBLIGATIONS	(1) ELIGIBLE ADVANCES	(2) OTHER OBLIGATIONS
1998 TIFA Revenue Refunding Bond-Debt Service (3)	\$ 718,225.00	\$	\$
Spray Park			17,000.00
Community Center Operations			215,605.00
Community Center Equipment			24,235.00
McCormick Street Extension Project-Debt Service			27,309.30

- (1) These obligations are eligible for the capture of Local School, Intermediate School, and State Education millages in an amount not to exceed the total of the eligible obligations. If Local School, Intermediate School, and State Education millages are insufficient, the TIFA district would then utilize the captured millages from the City and County millages. Once these obligations have been fully paid, the TIFA district will no longer capture Local School, Intermediate School, or State Education millages.
- (2) These obligations are only funded from the capture of City and County millages.
- (3) This obligation refunded the 1992 TIFA Revenue Bond. Bond proceeds less issuance cost together with other funds were deposited in an escrow fund ("TIFA Escrow Fund") held by First of America Bank, N.A., Birmingham, Michigan. ("Escrow Agent"), pursuant to an escrow agreement between the TIFA and the TIFA Escrow Agent ("TIFA Escrow Agreement") and used to purchase Government Obligations. The 1992 TIFA Revenue Bonds were called and defeased on June 1, 2002.